

Robert T. Bockman
Bbockman@mcnair.net

MCNAIR LAW FIRM, P.A.
ATTORNEYS AND COUNSELORS AT LAW

www.mcnair.net

BANK OF AMERICA TOWER
1301 GERVAIS STREET, 11th FLOOR
COLUMBIA, SOUTH CAROLINA 29201

115983
POST OFFICE BOX 11390
COLUMBIA, SOUTH CAROLINA 29211
TELEPHONE (803)799-9800
FACSIMILE (803)376-2219

September 27, 2005

Mr. Charles L. A. Terreni
Chief Clerk/Administrator
South Carolina Public Service Commission
Post Office Box 11649
Columbia, South Carolina 29211

RECEIVED
2005 SEP 27 PM 4:16
SC PUBLIC SERVICE
COMMISSION

Re: Application of Chem-Nuclear Systems, LLC
(SCPSC Docket No. 2000-366-A) (Fiscal Year 2005-2006)

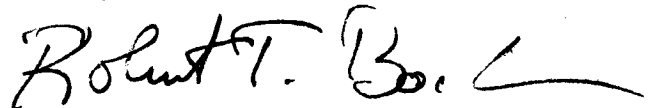
Dear Mr. Terreni:

Please find enclosed for filing the original and ten (10) copies of the Application of Chem-Nuclear Systems, LLC, a Division of Duratek, Inc., for Adjustment in the Levels of Allowable Costs and for Identification of Allowable Costs for Fiscal Year 2005-2006. We are filing the Application in accordance with S.C. Code Ann. § 48-46-40(B)(4) (Supp. 2004) and the Commission's rules of practice and procedure.

As the Certificate of Service to the Application indicates, we have formally served a copy of the Application on those parties which S.C. Code Ann. § 48-46-40(B)(9) (Supp. 2004) designates as parties to this proceeding. By copy of this letter, we are providing a copy of the Application to the appropriate officials of the Atlantic Compact Commission and the South Carolina Department of Health and Environmental Control which Section 48-46-40(B)(9) designates as discretionary parties, and we are providing a copy to the Chief of Staff of the Office of Regulatory Staff.

Should you have any questions with respect to this filing, please do not hesitate to contact me.

Very truly yours,



Robert T. Bockman

cc: The Honorable Frank Fusco (w/encl.)
The Honorable Henry Dargan McMaster (w/encl.)
The Honorable C. Earl Hunter (w/encl.)
The Honorable Max Batavia (w/encl.)
Hana Pokorna-Williamson, Esquire (w/encl.)
Mr. Dan F. Arnett

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA

Docket No. 2000-366-A

RECEIVED
2005 SEP 27 PM 4:16
SC PUBLIC SERVICE
COMMISSION

IN RE: Application of Chem-Nuclear Systems,)
LLC, a subsidiary of Duratek, Inc., for)
Adjustment in the Levels of Allowable)
Costs and for Identification of Allowable)
Costs)
_____)

APPLICATION
(for Fiscal Year 2005-2006)

Pursuant to the provisions of S.C. Code Ann. § 48-46-40(B)(4) (Supp. 2004), Chem-Nuclear Systems, LLC, a subsidiary of Duratek, Inc., (“Chem-Nuclear” or “the Company”) submits this Application for adjustment in the levels of certain “allowable costs” and for the identification of certain “allowable costs” for the operation of its regional low-level radioactive waste disposal facility located in the vicinity of Barnwell, South Carolina. In support of the relief, which it requests by its Application in this proceeding, Chem-Nuclear would respectfully show unto this honorable Commission:

1. On June 6, 2000, the Governor of the State of South Carolina signed the Atlantic Interstate Low-Level Radioactive Waste Compact Implementation Act (“the Act”). The Act is codified as S.C. Code Ann. §§ 48-46-10, *et seq.* (1976), as amended.

2. Section 48-46-40(B)(1) of the Act authorizes and directs the Commission “to identify allowable costs for operating a regional low-level radioactive waste disposal facility in South Carolina.” Section 48-46-30(1) defines “allowable costs” as “costs to a disposal site operator of operating a regional disposal facility.” Under that definition, such costs “are limited to costs determined by standard accounting practices and regulatory findings to be associated with facility operations.”

3. Section 48-46-40(B)(3) provides that “allowable costs” expressly include the costs of certain specifically identified activities necessary in the operation of a low-level radioactive waste disposal facility. That Section also provides that “allowable costs” include “any other costs directly associated with disposal operations determined by [the Commission] to be allowable.”

4. Chem-Nuclear operates a regional low-level radioactive waste disposal facility (“the Facility”) in Barnwell County, South Carolina. Consequently, the Commission has the authority to identify the “allowable costs” for the Company’s operation of the Facility.

5. The Facility is located on a tract of land consisting of approximately 235 acres which the State of South Carolina owns and which the Company leases from the South Carolina Budget and Control Board (“the Board”). The 235 acre site includes areas for various operations, including completed disposal trenches, potential trench areas, ancillary facilities, water management areas and buffer zone areas.

6. The Company conducts its operations at the Facility under South Carolina Radioactive Material License 097 (“License 097”) by which the South Carolina Department of Health and Environmental Control (“DHEC”) has authorized receipt, storage and disposal of low-level radioactive waste at the Facility. License 097 contains numerous technical conditions and specifications for management of waste at the Facility. The Company submitted an application to DHEC on April 28, 2000, for renewal of License 097. The DHEC staff has recommended approval of the renewal of License 097 and the matter is currently pending review before the South Carolina Administrative Law Court. In addition to the requirements of License 097, the Facility is subject to DHEC’s regulations in 24A S.C. Code Reg. 61-63 (Title A) (Supp. 2004). DHEC’s regulations are similar to the provisions of “Licensing Requirements for Land

Disposal of Radioactive Wastes,” which the United States Nuclear Regulatory Commission (“NRC”) originally promulgated in 10 CFR Part 61, and which DHEC has adopted for the most part and which DHEC enforces through its own regulations under an agreement with the NRC.

7. On June 27, 2005, the Commission issued its Order No. 2005-338(A) in SCPSC Docket No. 2000-366-A. By that Order, the Commission identified certain categories of “allowable costs” and identified levels of “allowable costs” in those categories. Order No. 2005-338(A) approved certain rates for variable allowable costs and identified the sum of \$7,249,023 for total fixed allowable costs for the 12 months ending June 30, 2005. The Order also approved irregular costs of \$230,000, as allowable costs.

8. S.C. Code Ann. § 48-46-40(B)(4) (Supp. 2004) provides that an operator of a low level radioactive waste disposal site may apply for adjustments in the levels of “allowable costs” which the Commission has identified for the previous fiscal year and for identification of costs which the Commission has not previously identified as “allowable costs.” Upon approval of such application, Section 48-46-40(B)(4) requires the Commission to authorize the site operator to adjust its “allowable costs” for the current fiscal year to compensate the site operator for revenues lost during the previous fiscal year.

9. For the purposes of this Application and its Exhibits, the Company has used the cost categories which the Commission approved in Order No. 2005-338(A), which were based on the recommendations of the parties to the Collaborative Review of the Company’s Operations and Efficiency Plan (“OEP”).

10. During the Company’s recently concluded Fiscal Year 2004-2005 (*i.e.*, the twelve months ending June 30, 2005), the Company’s actual “allowable costs” in those categories which the Commission identified in Order No. 2005-338(A) for fixed costs were \$7,785,664. By this

Application, the Company requests the Commission to approve adjustments in the levels of certain of its previously identified fixed allowable costs in the amount of \$536,641 for Fiscal Year 2004-2005 (*i.e.*, the twelve months ending June 30, 2005) to permit the Company to be compensated for the difference between the levels of those allowable fixed costs identified in Order No. 2005-338(A) and the actual costs which the Company incurred in that category, as authorized by Section 48-46-40(B)(4).

11. With respect to those allowable costs which Order No. 2005-338(A) characterized as irregular costs, the Company actually incurred total irregular costs for Fiscal Year 2004-2005 of \$803,992.92. The irregular costs which the Company actually experienced exceeded the level of total allowable irregular costs of \$230,000 identified in Order No. 2005-338(A). Consequently, the Company requests that the Commission identify \$573,992.92 as the allowable irregular costs adjustment for Fiscal Year 2004-2005.

12. With respect to the allowable costs which Order No. 2005-338(A) characterized as variable labor and non-labor costs, which are dependent upon volumes of waste received, the Company incurred actual costs in the category of variable labor and non-labor costs in Fiscal Year 2003-2004 in excess of the costs identified in Order No. 2005-338(A). Using the variable cost rates identified by the Commission for categories of waste and using the volumes of waste received in Fiscal Year 2004-2005, the Company requests an adjustment of \$30,813 for the twelve months ending June 30, 2005, to permit the Company to be compensated for the differences between the levels of the allowable variable labor and non-labor costs identified in Order No. 2005-338(A) and the actual costs which the Company incurred in that category, as authorized by Section 48-46-40(B)(4).

13. With respect to vault costs, Order No. 2005-338(A) established certain variable cost rates for each type of waste disposed at the Facility. Application of those rates to the volumes of each type of waste actually received in Fiscal Year 2004-2005 resulted in a total calculated cost for routine disposal vaults of \$1,419,002.52. Based on actual experience in Fiscal Year 2004-2005, the Company incurred a cost of \$1,480,783.70 for routine disposal vaults. Therefore, the Company seeks an adjustment of \$61,781.18 to permit the recovery of its actual cost for such vaults.

14. The Company has attached to this Application three (3) exhibits pertaining to the adjustment and identification of the three (3) categories of “allowable costs” for its disposal operations.

15. Exhibit “A” to the Application describes in detail the Company’s proposed adjustments for the recovery of its actually incurred costs for fixed, variable and irregular costs to reflect the differences between the level of “allowable costs” identified in Order No. 2005-338(A) and the Company’s actual experience in Fiscal Year 2004-2005. Exhibit A also provides the rates for variable costs, which were contained in Order No. 2005-338(A).

16. Exhibit “B” describes the actual irregular costs which the Company incurred in Fiscal Year 2004-2005, organized by project number.

17. Exhibit “C” depicts the total fixed costs, irregular costs and variable cost rates that the Company proposes for identification and approval for Fiscal Year 2005-2006.

18. For Fiscal Year 2005-2006, the Company requests identification as “allowable costs” a total of \$7,758,171 as allowable fixed costs, as depicted in Exhibit C. Exhibit C also identifies variable material cost rates and variable waste dependent labor rates for Fiscal Year 2005-2006. Irregular costs for Fiscal Year 2005-2006 that are known and measurable at the time

of this Application are \$159,766, as specified in Exhibit C. The costs and amounts in Exhibits A and C are consistent with the description of “allowable costs” in Section 48-46-40(B)(3), and they have been determined by standard accounting practices and are consistent with the recommendations of the Collaborative Review of the OEP as the Commission approved in Order No. 2004-349 in this Docket.

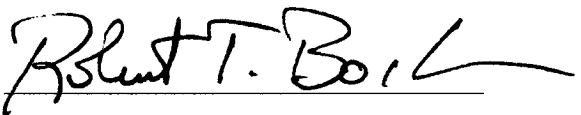
WHEREFORE, Chem-Nuclear Systems, LLC, a subsidiary of Duratek, Inc., respectfully prays unto this honorable Commission:

1. To review the Company’s Application and issue its Order, under S.C. Code Ann. § 48-46-40(B)(4) (Supp. 2004), adjusting the levels of “allowable costs” as depicted in Exhibit A and B for Fiscal Year 2004-2005, and identifying as “allowable costs” those costs depicted in Exhibit C for Fiscal Year 2005-2006.

2. For such other and further relief as is just and proper.

Respectfully submitted,

Robert T. Bockman
McNAIR LAW FIRM, P.A.
Post Office Box 11390
Columbia, South Carolina 29211
(803) 799-9800

By: 

Attorney for Chem-Nuclear Systems, LLC

September 27, 2005

Columbia, South Carolina

EXHIBIT A:

FISCAL YEAR 2004-2005 COSTS

Fixed Costs: Adjustment Proposed

Fixed costs, subject to a 29% operating margin, were incurred in Fiscal Year 2004-2005 in the general categories of labor-related costs, non-labor costs, costs allocated from corporate functions, equipment leases and support, depreciation and insurance. Fixed costs, **not** subject to a 29% operating margin, were incurred in Fiscal Year 2004-2005 in the general categories of employee retention compensation, legal (license appeal) and intangible asset amortization. The following table compares the actual costs incurred to the costs identified as allowable in Commission Order No. 2005-338(A):

	Commission Order No. 2005-338(A)	Actual Costs Incurred in FY 2004-2005	Adjustment Proposed
Labor and Fringe	\$2,854,670	\$2,898,573	
Non-Labor	\$1,193,327	\$1,282,515	
Corporate Allocation (G&A)*	\$923,790	\$1,187,072	
Equipment leases and support	\$238,475	\$373,092	
Depreciation	\$110,000	\$97,211	
Insurance	\$962,120	\$798,300	
Subtotal (Fixed Cost subject to 29% margin)	\$6,282,382	\$6,636,763	
Employee retention compensation	\$91,641	\$101,858	
Legal (license appeal)	\$250,000	\$422,043	
Intangible asset amortization	\$625,000	\$625,000	
Subtotal (Fixed Cost not subject to 29% margin)	\$966,641	\$1,148,901	
Total Fixed Costs	\$7,249,023	\$7,785,664	\$536,641

*The actual cost amount is calculated based on the method of G&A allocation used in prior fiscal years as explained further on the next page of this exhibit.

For further explanation of the proposed adjustment of \$536,641, see next page.

Fixed Costs Proposed Adjustment Explanation

Equipment Leases and Support

\$134,617

Costs incurred in the Fixed cost category of Equipment Leases and Support in Fiscal Year 2004-2005 were \$134,617 more than the amounts anticipated by Commission Order 2005-338(A). The following factors were the primary contributors to these increased costs:

1. A D-6 bulldozer was rented for a period of about three (3) months while the company-owned bulldozer was being repaired. Costs for this rental bulldozer were \$27,722.
2. The company extended the lease on a motor grader for an additional twenty-four (24) months, starting in December 2004, at a lower rate than the original lease. This lower rate resulted in a cost savings of \$1,842.02 per month offsetting some of the higher lease costs by a total of \$12,894 in Fiscal Year 2004-2005.
3. The company entered into a 24-month lease of a 175-ton crawler crane starting in November 2004. The crawler crane allows proper waste handling and safe positioning of the crane on top of vaults covered with backfill at Trench 94. Offload of waste packages from transportation casks and movement of those packages into a disposal vault at Trench 94 requires the offload crane to be positioned on top of newly-placed backfill surrounding and covering filled vaults. The configuration of Trench 94 allows efficient use of available land area in that part of the disposal site. The wide spacing and overall length of the tracks on the crawler crane spread the load of the crane and the waste package over a large area of backfill reducing the soil loading to an acceptable level. Similar operations with a 140-ton lattice boom mobile crane would require placement of large steel plates under the outrigger pads to spread the weight of the crane and waste packages. Placement of the steel plates and outrigger pads on the backfill in a manner that avoids the space created between four adjacent cylindrical disposal vaults would require extra work to locate each vault by land survey and to position the equipment. The lease cost for this crawler crane is \$3,710 per month more than the lease costs for a 140-ton lattice-boom crane resulting in \$29,680 additional lease costs in Fiscal Year 2004-2005.
4. A 140-ton lattice-boom crane was leased for the first half of the Fiscal Year at a rate of \$9,540. While the 175-ton crawler crane was being set up and operator training completed, leases on the two rental cranes overlapped. This overlap in leases resulted in \$19,080 higher leased equipment costs.
5. During the previous fiscal year, the company's 40-ton hydraulic crane was found to be beyond economic repair and it was retired. Fiscal Year 2004-2005 costs to lease a 40-ton hydraulic crane were \$74,200.

Corporate Allocation (Management Fee/G&A) \$263,282

The calculated G&A allocation for Fiscal Year 2004-2005 was \$263,282 more than the amount anticipated in Commission Order No. 2005-338(A). One component of the Fixed costs for operating the Barnwell disposal site is the Corporate G&A that is allocated to Chem-Nuclear from its parent company, Duratek Inc. Corporate G&A allocation is difficult to project because of the many variables that are considered each year to determine the actual amount of Corporate G&A allocation. The parent company allocates Corporate G&A using the total cost method.

The method for determining the allowable Corporate G&A allocation for Chem-Nuclear was recommended by the Commission Staff (Blume Testimony, 2004 proceeding, page 35, lines 14-24; page 36, lines 1-16; and Exhibit No. A-1, adjustment No. 10) and then approved by the Commission for Fiscal Year 2002-2003 in their Order No. 2004-439. That method was used again to determine the allowable Corporate G&A for which Chem-Nuclear requested to be identified as an allowable cost for Fiscal Year 2003-2004. The Office of Regulatory Staff accepted that method and the Commission identified the amount of Corporate G&A allocation calculated using that method as allowable in their Order No. 2005-338(A). In Fiscal Year 2004-2005, the same method was used to calculate the allowable portion of Corporate G&A allocation specified in Exhibit A (Fixed Costs) of the Chem-Nuclear application. The method consists of several steps, which are summarized here.

- Each month, Duratek Inc. allocates the Corporate G&A expense to each operating group of the parent company based on total cost incurred by each operating group. For Chem-Nuclear, a percentage of that actual corporate G&A expense is booked as unallowable. The percentage of unallowable G&A costs is estimated at the beginning of each fiscal year based on the anticipated Corporate G&A budget for the company. For Fiscal Year 2004-2005, the percentage used was 6.5% of the Chem-Nuclear allocation from the Corporate G&A. The Corporate G&A is recorded in the Chem-Nuclear general ledger under an allowable and unallowable project number in accordance with this estimated split. The Chem-Nuclear portion of the Columbia, South Carolina office G&A expense is also recorded on the Chem-Nuclear general ledger under the allowable G&A project number.
- In preparing this application, the Commission-approved method is used to calculate the portion of the total allocated Corporate G&A expense that Chem-Nuclear can apply for as an allowable cost. The calculation consists of four additional steps:
 - Step 1 calculates the ratio of actual unallowable Barnwell operating costs incurred compared to the total costs for the year. These numbers are taken from the general ledger of Chem-Nuclear. For Fiscal Year 2004-2005, these numbers are \$646,122 and \$13,631,432, respectively, and yield a ratio of 4.74%.
 - Step 2 calculates the total actual fiscal year G&A expense charged to Chem-Nuclear. This number consists of the following information from the Chem-Nuclear general ledger:

- Total allowable and unallowable Duratek, Inc. Corporate G&A allocation
- Duratek, Inc. Information Systems allocation
- Columbia, South Carolina G&A allocation

For Fiscal Year 2004-2005, that amount is \$1,246,138.

- Step 3 applies the 4.74% calculated in step 1 to the actual fiscal year G&A expense of Chem-Nuclear calculated in Step 2. Applying the 4.74% yields an unallowable portion of the total Chem-Nuclear G&A of \$59,066.
- Step 4 calculates the allowable portion of the Chem-Nuclear G&A expense by subtracting the unallowable portion calculated in Step 3 from the total Chem-Nuclear G&A expense calculated in Step 2. That difference is \$1,187,072.

Chem-Nuclear is requesting the Commission identify \$1,187,072 as the allowable cost for Chem-Nuclear G&A expense for Fiscal Year 2004-2005. This amount is \$263,282 over the \$923,790 amount projected in Commission Order No. 2005-338(A) and represents one component of the increased Fixed Costs that the company is requesting the Commission identify as an allowable cost for Fiscal Year 2004-2005.

Legal Support (license appeal)

\$172,043

Chem-Nuclear is requesting the Commission identify \$422,043 as the allowable cost for the legal support for the license appeal for Fiscal Year 2004-2005. This amount is \$172,043 over the \$250,000 amount projected in Commission Order No. 2005-338(A) and represents another component of the increased Fixed Costs the company is requesting the Commission identify as an allowable cost for Fiscal Year 2004-2005.

The South Carolina Department of Health and Environmental Control (“DHEC”) renewed SC Radioactive Material License No. 097 for the Barnwell Low-Level Radioactive Waste Disposal Facility in February of 2004. In March of 2004, the Sierra Club and Environmentalists, Inc., filed a Petition for Administrative Review of the license renewal in which DHEC and Chem-Nuclear were named as Respondents. An adjudicatory hearing was held before Administrative Law Judge John D. Geathers on February 16, 17, 18, and 22, 2004.

When the application for identification of allowable costs was filed in September of 2004, only a portion of the costs associated with the license appeal were known or could be estimated. There was no way to know the exact number of depositions that would be taken, the number of interrogatories that would be submitted by Petitioners, the extensive document production requests submitted by Petitioners (which involved negotiations over confidentiality of certain proprietary documents), the motions that would need to be filed or responded to, and the length of the hearing, which lasted a full four (4) days. At the time of this Application, we are awaiting a ruling from Judge Geathers.

Summary of Fixed Cost Adjustments

The total of the Fixed cost adjustments discussed above equals \$569,942. However, Chem-Nuclear is requesting the Commission to identify as allowable an adjustment of \$536,641, which is the difference between the actual total Fixed Costs of \$7,785,664 for Fiscal Year 2004-2005 and the amount of \$7,249,023 identified as allowable total Fixed Costs in Commission Order No. 2005-338. With the adjustment of \$536,641, allowable Fixed Costs for Fiscal Year 2004-2005 would total \$7,785,664.

Variable Costs: Adjustments Proposed

Variable Labor and Non-Labor Costs

Commission Order No. 2005-338(A) identified the following categories of rates for projecting Variable Labor and Non-Labor costs: vault purchase and inspection (per vault), ABC waste disposal (per shipment), slit trench operations (per slit trench offload), customer assistance (per shipment), and trench records (per container).

The following table illustrates the Variable Labor and Non-Labor costs that would be calculated using the Variable Labor and Non-Labor rates identified in Order No. 2005-338(A) and the number of units in each category.

	Units	Variable Cost Rate in Order No. 2005-338(A)	Calculated Cost
Vault Purchase & Inspection (per vault)	344	\$74	\$25,456
ABC Waste Disposal (per shipment)(total shipments, less slit trench shipments, less irregular project shipments)	334	\$1,377	\$459,918
Slit Trench Operations (per slit trench offload)	23	\$6,168	\$141,864
Customer Assistance (per shipment)	362	\$233	\$84,346
Trench records (per container)	773	\$38	\$29,374
Total Projected Variable Labor and Non-labor Cost			\$740,958

The actual Variable Labor and Non-Labor costs experienced in the disposal of waste in Fiscal Year 2004-2005 resulted in a Total Variable Labor and Non-Labor Cost of \$771,771. Therefore, Chem-Nuclear requests an adjustment of \$30,813 increase in this category of costs.

The primary factor in these increased variable costs was changes in the required handling equipment for slit trench offloads. As approved by DHEC, the introduction of redundant outhaul cables (use of a Kevlar loop in conjunction with the normal ¾-inch wire rope slings) resulted in increased costs for each offload of about \$1,100.

Vault Costs

The following table illustrates the vault costs that would be calculated using the Variable Cost rates identified in Commission Order No. 2005-338(A) and the volumes of waste received in each respective category.

	Volume Buried (cubic feet)	Variable Cost Rate in Order No. 2005-338(A)	Calculated Cost
Class A waste	20,810.99	\$31.23	\$649,927.22
Class B waste	12,029.76	\$31.41	\$377,854.76
Class C waste	7,589.02	\$31.33	\$237,764.00
Slit Trench waste	1,323.70	\$115.93	\$153,456.54
Irregular Components (in vaults as an irregular cost)	1,506.99	N/A	N/A
Total Vault Cost			\$1,419,002.52
Total Volume	43,260.46		

Eleven (11) vaults (nine (9) custom vaults and two (2) slit trench vaults) were used to dispose of irregular components. Costs for these eleven (11) vaults are included in the irregular costs.

Twelve (12) cylindrical vaults were used in the construction of Trench 97. Costs for these twelve (12) cylindrical vaults are included in irregular costs for trench construction. When these vaults are used for disposal of waste, the Trench 97 irregular project will be credited and the vault cost expensed under variable vault costs.

The total cost incurred for routine disposal vaults used during Fiscal Year 2004-2005 was \$1,480,783.70. Therefore, we request an adjustment of \$61,781.18 increase in this category of cost.

Irregular Costs

The following table summarizes the Irregular costs incurred in Fiscal Year 2004-2005 organized by projects. Exhibit B provides additional descriptions of each of these irregular projects. The total costs incurred in Fiscal Year 2004-2005, as Irregular Costs, were \$803,992.92 compared to the amount identified in Commission Order No. 2005-338(A) of \$230,000.00. We therefore request an adjustment of \$573,992.92 increase in Irregular Costs.

Irregular Cost Item	Basis For Order Amount	Actual FY 04-05 Labor	Actual FY 04-05 Non-Labor	Total Cost FY 04-05
Irregular components: 4 shipments of CY Piping and valves, 1 shipment of Navy Refueling equipment	\$70,000.00	\$12,551.99	\$107,318.47	\$119,870.46
Various Trenches (design, construct, backfill including free flowing sand): Trench 96, Trench 86, Trench 94, Trench 95, Trench 97, Slit Trench 22, Slit Trench 23, Slit Trench 24, Slit Trench 25, Slit Trench 26, Slit Trench 27, Slit Trench 28	\$160,000.00	\$52,159.78	\$263,044.04	\$315,203.82
Decontamination and Corrective Actions		\$3,473.45	\$11,292.76	\$14,766.21
Engineering Drawings		\$60,260.25	\$23,665.80	\$83,926.05
Miscellaneous Irregular Costs (Puncture Stand Relocation)		\$8,206.64	-\$41.25	\$8,165.39
License Renewal and Appeal costs		\$163,422.32	\$86,955.78	\$250,378.10
PSC and B&CB support (irregular)		\$8,228.17		\$8,228.17
Other Irregular costs (Records Disposition, Site Assessments)		\$15.22	\$3,439.50	\$3,454.72
Total Irregular Costs	\$230,000.00			\$803,992.92

EXHIBIT B:

**FISCAL YEAR 2004-2005 IRREGULAR COSTS
ORGANIZED BY PROJECT**

PROJECT NUMBERS	PROJECT NAME AND EXPLANATIONS
188000.8005 188000.8006	Decontamination and Corrective Actions (Labor \$3,473.45 and Non-labor \$11,292.76) Includes costs related to decontamination efforts and corrective actions that were required as a result of waste received for disposal. Also, included here in Fiscal Year 2004-2005 were costs for repair of a cask personnel barrier that was damaged in an unexpected windstorm at the disposal site. During Fiscal Year 2004-2005, costs incurred in these projects, although irregular and non-recurring in nature, were within the scope of waste disposal operations work.
188004.8001	Site Engineering & Drawing Updates (Labor \$60,260.25 and Non-labor \$23,665.80) Labor and contractor costs for site engineering support and preparation and reproduction of site drawings. The engineering support and drawings were required for various analyses and reports submitted to DHEC. Included in this project in Fiscal Year 2004-2005 were five (5) primary endeavors: (1) Design evaluation of slit trench and custom vaults in Trench 86, (2) Site drawing updates for 2005 closure plan, (3) vault stability calculations for Trench 86 arrangements, (4) slit trench backfill material evaluation, and (5) custom vault design review.
188007.8001	Irregular Component Disposal (Labor: \$12,551.99 and Non-labor \$107,318.47) Non-routine operations. Includes costs associated with disposal of items that involve unusual handling requirements including placement in custom-designed vaults for stabilization by grouting. Included are waste receipt and inspection, preparations to offload the shipping container or vehicle, placement of the irregular component in its disposal vault, disposal, survey and transportation vehicle release and closeout. Irregular components disposed of in Fiscal Year 2004-2005 were: Connecticut Yankee Reactor coolant piping and isolation valves and several oversized boxes of components (tie bolt assemblies) from Norfolk Naval Shipyard. Eleven (11) concrete disposal vaults (nine (9) custom vaults and two (2) slit trench vaults) are included in these costs. The amounts billed to customers for disposal of these irregular components were \$564,928.59.

188030.8001 188031.8001	Miscellaneous Irregular Costs (Puncture Stand Relocation) (Labor \$8,206.64 and Non-labor -\$41.25) Costs for activities related to preparation for relocation of the waste shipment inspection stand (puncture stand) outside of Trench 86 as the trench is nearing completion. The non-labor costs in this area include a prior year adjustment.
188022.8001 188701.8007 188701.8008 188701.8009 188701.8010 188701.8011 188701.8012 188701.8013 188701.8014 188701.8015 188701.8016 188701.8017 188701.8018	Various Trench Construction and Backfill Operations (Labor \$52,159.78 and Non-labor \$263,044.04) Trench construction activities in Fiscal Year 2004-2005 included design, construction and backfill (including use of free flowing sand (where applicable)) in Trench 86, Trench 94, Trench 95, Trench 96, Trench 97, Slit Trench 22, Slit Trench 23, Slit Trench 24, Slit Trench 25, Slit Trench 26, Slit Trench 27, and design of Slit Trench 28. Included here is the cost of twelve (12) cylindrical vaults used in construction of Trench 97.
952182.8001 952183.8001	Other Irregular Costs (Records Disposition and Site Assessments) (Labor \$15.22 and Non-labor \$3,439.50) Included here are costs for review and disposition of records. Also included are special projects related to site performance as directed by DHEC or other competent authority. Generally these projects are related to regulatory or technical site performance.
952188.8001	Licensing Admin (IRREG) (Labor \$61,380.20 and Non-labor \$11,255.27) Non-routine licensing department functions including development and support of the disposal site license renewal application and responding to questions and interrogatories from DHEC.
952188.8002	Appeal DHEC License (Labor \$102,042.12 and Non-labor \$75,700.51) Non-routine activities by licensing department and others related to the appeal process for the DHEC radioactive materials license renewal. Included here are costs for Chem-Nuclear labor, consultants and expert witnesses. Legal expenses are included in fixed costs.

<p>952191.8001 952192.8002</p>	<p>SCPSC and B&CB Support (IRREG) (Labor \$8,228.17)</p> <p>These irregular cost project numbers are used to document costs associated with those PSC proceedings involving depositions, interrogatories, discovery requests and other time consuming activities. Also included here are costs for special projects or reports as requested by the State Budget and Control Board staff (<i>e.g.</i>, a consolidated spreadsheet of invoice data and radioactive shipment data integrated with collections data).</p>
--	---

EXHIBIT C:

FISCAL YEAR 2005-2006 COSTS

We propose the following amounts be identified as allowable costs for Fiscal Year 2005-2006:

FIXED COSTS	
Fixed Costs to which 29% operating margin is added	
Labor and Fringe	\$3,000,000
Non-Labor	\$1,308,109
Corporate Allocations (Management Fees / G&A)	\$1,203,257
Depreciation	\$250,000
Insurance	\$830,232
Equipment Leases and Support	\$386,150
Fixed Costs to which 29% operating margin is not added	
Intangible Asset Amortization	\$625,000
Employee Retention Compensation	\$105,423
Legal Support (license appeal)	\$50,000
Total Fixed Costs	\$7,758,171
IRREGULAR COSTS	
Trench Construction	\$60,000
License Appeal	\$20,000
Corrective Action	\$14,766
Site Engineering Drawing	\$10,000
Irregular Components	\$40,000
Miscellaneous	\$15,000
Total Irregular Costs	\$159,766
VARIABLE COSTS	
Variable Labor and Non-Labor Rates	
Vault Purchase and Inspection (per vault)	\$89.83
ABC Waste Disposal (per shipment)	\$1,225.69
Slit Trench Operations (includes laundry costs) (per slit trench offload)	\$8,666.66
Waste Acceptance (per shipment)	\$293.80
Trench Records (per container)	\$38.00
Variable Material Costs (Vault) based on actual Fiscal Year 2004-2005 rates plus supplier cost increase	
Class A Waste (per cubic foot)	\$37.45
Class B Waste (per cubic foot)	\$37.83
Class C Waste (per cubic foot)	\$41.29
Slit Trench Waste (per cubic foot)	\$124.23

BEFORE THE PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA

Docket No. 2000-366-A

IN RE: Application of Chem-Nuclear Systems,)
LLC, a Division of Duratek, Inc., for)
Adjustment in the Levels of Allowable)
Costs and for Identification of Allowable)
Costs)
_____)

**CERTIFICATE
OF SERVICE**

SC PUBLIC SERVICE
COMMISSION

2005 SEP 27 PM 4:16

RECEIVED

I, ElizaBeth A. Blitch, do hereby certify that I have this date served one (1) copy of the foregoing Application (for Fiscal Year 2004-2005) upon the following statutory parties by causing said copies to be deposited with the United States Mail, first class postage prepaid and addressed as follows:

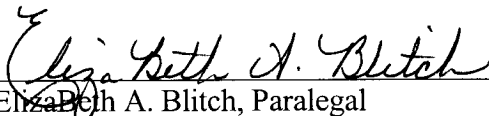
The Honorable Frank W. Fusco
Executive Director
South Carolina Budget and Control Board
Post Office Box 12444
Columbia, South Carolina 29211

The Honorable Henry Dargan McMaster
Attorney General
State of South Carolina
Post Office Box 11549
Columbia, South Carolina 29211

Hana Pokorna-Williamson, Esquire
Acting Consumer Advocate
State of South Carolina
Post Office Box 5757
Columbia, South Carolina 29250-5757

The Honorable C. Earl Hunter
Commissioner
SCDHEC
2600 Bull Street
Columbia, South Carolina 29201

The Honorable Max K. Batavia
Atlantic Compact Commission
1201 Main Street
Suite 826
Columbia, South Carolina 29201.


ElizaBeth A. Blitch, Paralegal
McNAIR LAW FIRM, P.A.
Post Office Box 11390
Columbia, South Carolina 29211
(803) 799-9800

September 27, 2005

Columbia, South Carolina